

TORREY TOWN
FINANCIAL STATEMENTS
JUNE 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Torrey Town
Torrey, Utah 84775

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Torrey Town as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Torrey Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Torrey Town as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2005, on our consideration of Torrey Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 38 through 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

July 27, 2005
Richfield, Utah

TORREY TOWN MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE FISCAL YEAR ENDED JUNE 30, 2005

This discussion of Torrey Town's financial performance provided an overview of the Town's financial activities for the year ending June 30, 2005. This report is in conjunction with the Town's financial statements.

The purpose of the Town is to provide general services to its residents which includes general government, public safety, highways and streets and culture and recreation.

Financial Highlights

- * The assets of Torrey Town exceeded its liabilities as of the close of the most recent year by \$1,945,972 (net assets). Of this amount, \$323,692 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- * The government's total net assets increased by \$803,305. The revenues were less than the adopted budgeted amounts, and expenditures were less than the adopted budgeted amounts.
- * At the close of the current year, Torrey Town governmental fund reported ending fund balance of \$29,794, a decrease of (\$9,515) in comparison with the prior year. Approximately 49 percent of this total amount, \$14,536 is available for spending at the government's discretion (unreserved fund balance).
- * At the end of the current year, unreserved fund balance for the general fund was \$14,536, or 25 percent of total general fund expenditures.
- * Torrey Town's total debt increased by \$252,000 during the current year.
- * During the current year the Town obtained a grant of \$810,000 and a loan of \$270,000 at 2.5% from the Community Impact Board. The funds are being used to improve the springs and culinary water system. The project is approximately 76% complete at June 30, 2005.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Torrey Town's basic financial statements. Torrey Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Torrey Town, finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of Torrey Town, Inc.'s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Torrey Town, in improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Torrey Town that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of Torrey Town include general government, public health, highways and public improvements, cemetery and parks and recreation. The business-type activity of Torrey Town is the culinary water fund.

Refer to the table of contents for the location of the government-wide financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Torrey Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Torrey Town can be divided into two categories: governmental funds and enterprise funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balance of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Torrey Town adopts an annual appropriated budget for its governmental fund, the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Refer to the table of contents for the location of the basic governmental fund financial statements.

Proprietary Funds

Torrey Town maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Torrey Town, uses an enterprise fund to account for its culinary water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund, which is considered to be a major fund of Torrey Town.

Refer to the table of contents for the location of the basic proprietary fund financial statements.

Notes To The Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are part of the basic financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning Torrey Town.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Torrey Town, assets exceeded liabilities by \$1,945,972 at the close of the most recent fiscal year.

By far the largest portion of Torrey Town's net assets (62 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. Torrey Town uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although Torrey Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Torrey Town's Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Current and Other Assets	26,794	26,690	710,123	312,241	736,917	338,931
Capital Assets	245,260	263,700	1,536,121	745,097	1,781,381	1,008,797
Total Assets	272,054	290,390	2,246,244	1,057,338	2,518,298	1,347,728
Long-Term Liabilities	0	0	467,000	197,000	467,000	197,000
Other Liabilities	0	0	108,326	20,680	108,326	20,680
Total Liabilities	0	0	575,326	217,680	575,326	217,680
Net Assets:						
Invested in Capital Assets						
Net of Related Debt	245,260	263,700	960,795	527,417	1,206,055	791,117
Restricted	15,258	7,300	400,967	29,000	416,225	36,300
Unrestricted	14,536	19,390	309,156	283,241	323,692	302,631
Total Net Assets	275,054	290,390	1,670,918	839,658	1,945,972	1,130,048

A portion of Torrey Town's net assets (21 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$323,692) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the year, Torrey Town is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental Activities

Governmental activities decreased Torrey Town's net assets by (\$27,955). Key elements of this decrease follows:

Torrey Town's Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program Revenues:						
Charges for Services	4,146	2,358	90,145	97,339	94,291	99,697
Operating Grants and Contributions	16,397	21,149	-	-	16,397	21,149
Capital Grants			810,000		810,000	
General Revenues:						
Property Taxes	2,665	2,662	-	-	2,665	2,662
Other Taxes	24,426	25,879	-	-	24,426	25,879
Unrestricted Investment Earnings	1,031	534	14,604	3,415	1,031	534
Other	-	-	-	-	0	0
Total Revenues	<u>48,665</u>	<u>52,582</u>	<u>914,749</u>	<u>100,754</u>	<u>948,810</u>	<u>149,921</u>
General Government	17,967	25,043	-	-	17,967	25,043
Public Safety	2,144	2,150	-	-	2,144	2,150
Highways and Streets	49,765	42,944	-	-	49,765	42,944
Cemetery	2,867	1,413			2,867	1,413
Parks and Recreation	3,877	5,087	-	-	3,877	5,087
Interest on Long-Term Debt	-	-	13,070	14,480	13,070	14,480
Water Operations	-	-	70,419	76,532	70,419	76,532
Total Expenses	<u>76,620</u>	<u>76,637</u>	<u>83,489</u>	<u>91,012</u>	<u>160,109</u>	<u>167,649</u>
Increase in Net Assets Before Transfers	(27,955)	(24,055)	831,260	9,742	788,701	(17,728)
Transfers	<u>0</u>	<u>16,000</u>	<u>0</u>	<u>(16,000)</u>	<u>0</u>	<u>0</u>
Decrease in Net Assets	(27,955)	(8,055)	831,260	(6,258)	803,305	(14,313)
Net Assets - Beginning	<u>303,009</u>	<u>311,064</u>	<u>839,658</u>	<u>845,916</u>	<u>1,142,667</u>	<u>1,156,980</u>
Net Assets - Ending	<u>275,054</u>	<u>303,009</u>	<u>1,670,918</u>	<u>839,658</u>	<u>1,945,972</u>	<u>1,142,667</u>

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Business-Type Activities

Business-type activities increased Torrey Town's net assets by \$831,260, accounting for 103 percent of the total increase in the government's net assets. Key elements of this increase are as follows:

* Capital grant from Community Impact Board for \$810,000. Interest earnings on unused funds of \$14,604.

Financial Analysis of the Government's Funds

As noted earlier, Torrey Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The general fund is the chief operating fund of Torrey Town. At the end of the current year, unreserved fund balance of the general fund was \$14,536, while total fund balance reached \$29,794. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 25 percent of total general fund expenditures, while total fund balance represents 51 percent of that same amount.

Proprietary Funds

Torrey Town's proprietary fund provides the same type of information found in the government-wide financial statements but in more detail.

Unrestricted net assets of the water fund at the end of the year were \$309,156. Other factors concerning the finances of this fund have already been addressed in the discussion of Torrey Town's business type activities.

General Fund Budgetary Highlights

There were no differences between the original budget and the final budget.

Capital Asset and Debt Administration

Capital Assets

Torrey Town's investment in capital assets for its governmental activities as of June 30, 2005, was \$245,260 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, equipment and infrastructure, which are roads and highways.

Torrey Town's Capital Assets (net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	31,000	31,000	-	-	31,000	31,000
Infrastructure	180,000	195,000	-	-	180,000	195,000
Buildings	18,600	20,480	-	-	18,600	20,480
Improvements Other than Buildings	-	-	676,317	697,497	676,317	697,497
Construction in Progress			820,154		820,154	
Equipment	15,660	17,220	39,650	47,600	55,310	64,820
Total	245,260	263,700	1,536,121	745,097	1,781,381	1,008,797

Additional information on Torrey Town, capital assets can be found in the notes to the financial statements.

Long -Term Debt

At the end of the current year, Torrey Town had total bonded debt outstanding of \$467,000. The debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

	Governmental Activities		Business-Type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue Bonds	-	-	467,000	215,000	467,000	215,000

State statutes limit the amount of general obligation debt a governmental entity may issue to 12 percent of its total fair market value of taxable property in the Town. The Town has no general obligation debt.

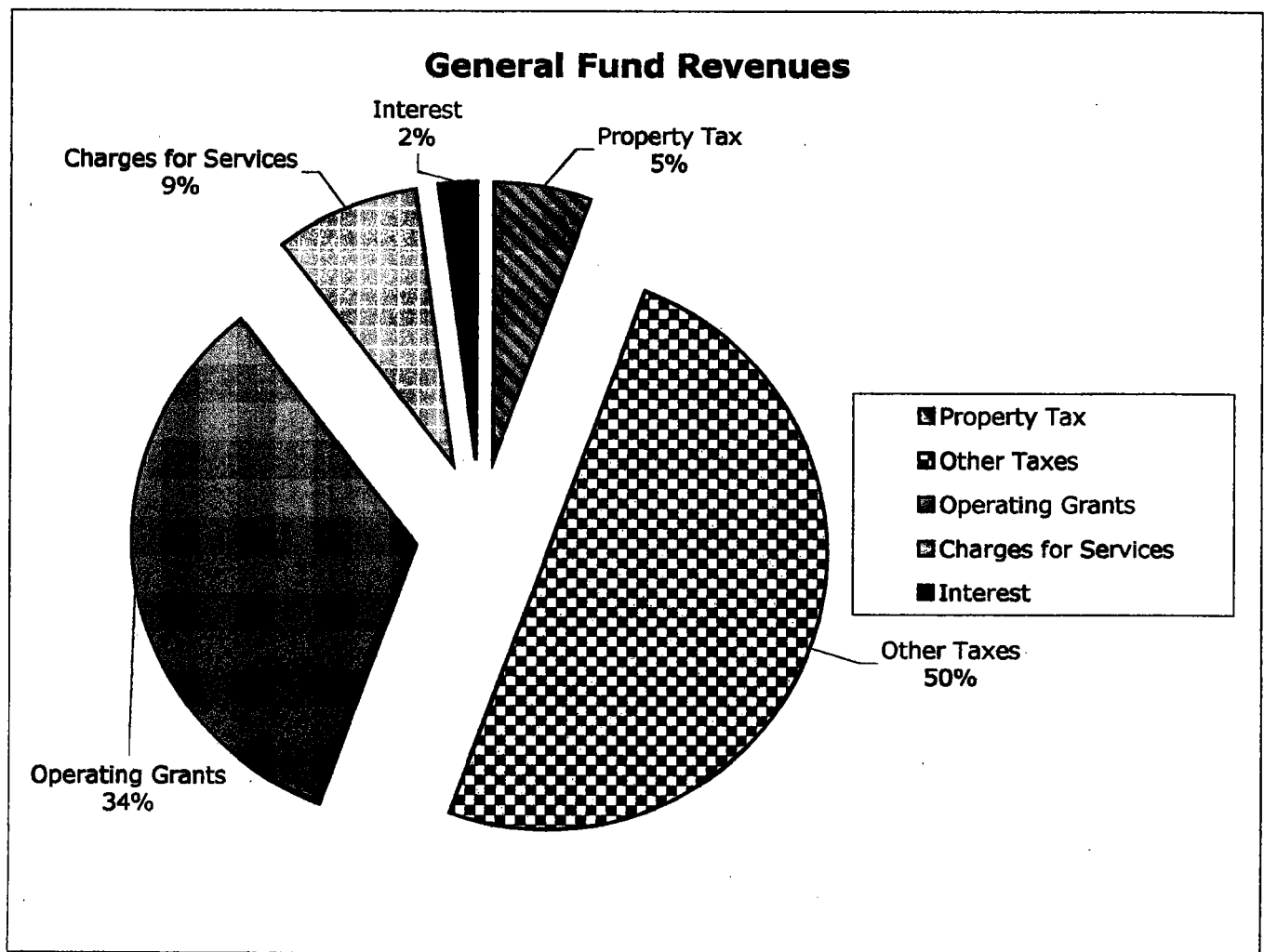
Additional information on Torrey Town's long-term debt can be found in the notes of the financial statements.

Request for Information

This financial report is designed to provide a general overview of Torrey Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Torrey Town Clerk, P.O. Box 750027, Torrey, Utah, 84775.

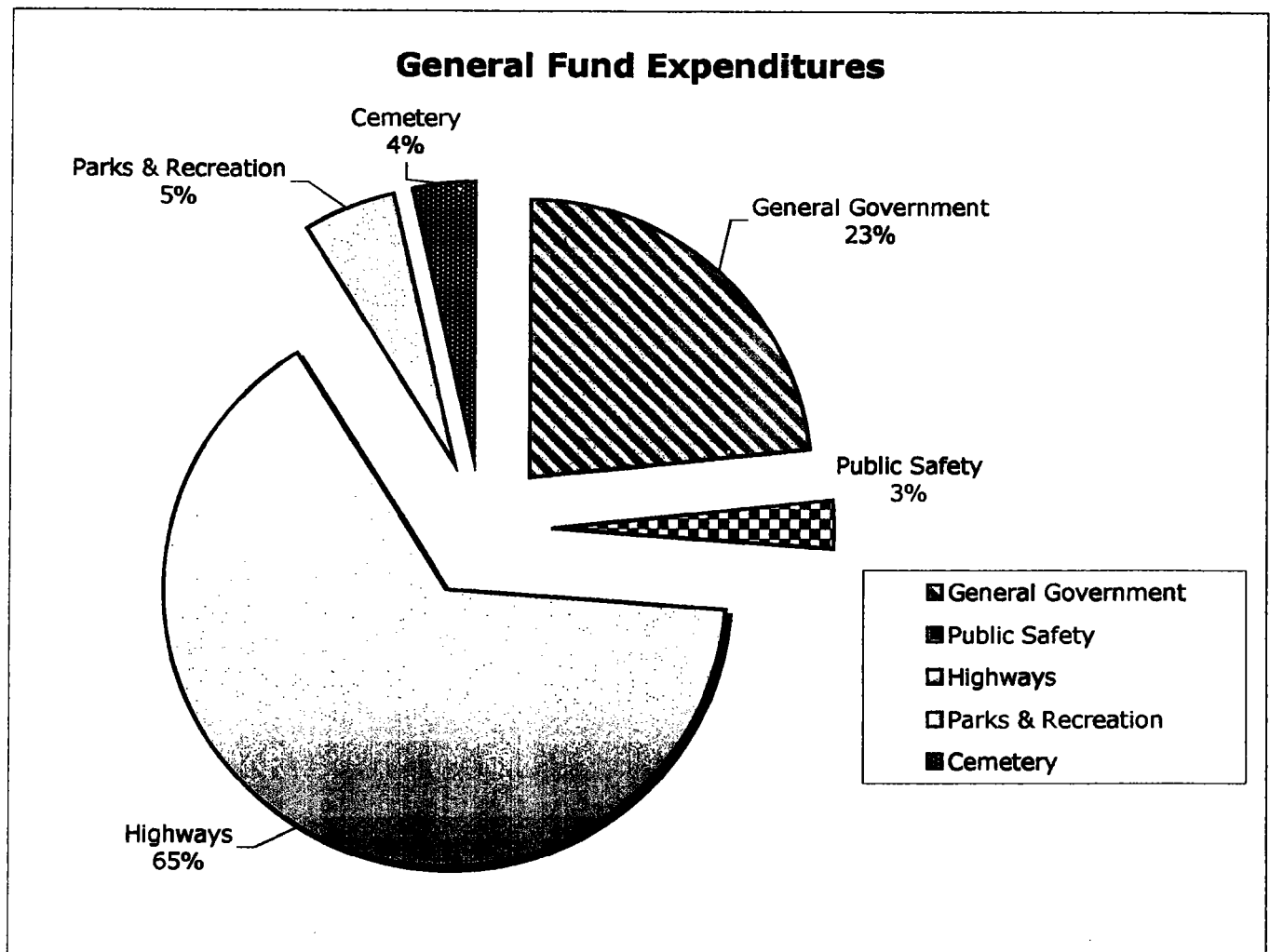
**Torrey Town
General Fund Revenues
For The Fiscal Year Ended June 30, 2005**

Property Tax	2,665
Other Taxes	24,426
Operating Grants	16,397
Charges for Services	4,146
Interest	1,031
	<hr/>
Total	<u>48,665</u>



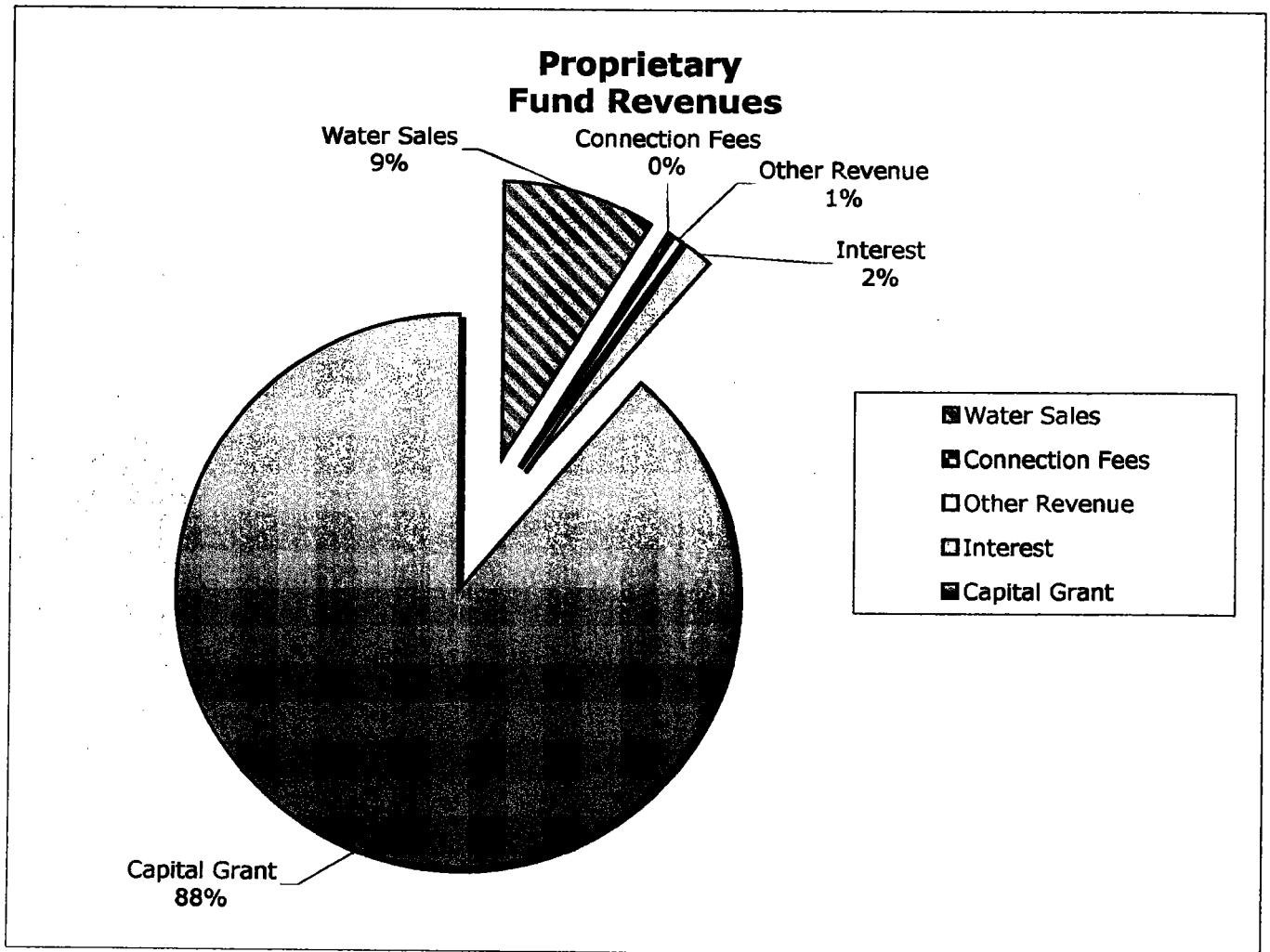
**Torrey Town
General Fund Expenditures
For The Fiscal Year Ended June 30, 2005**

General Government	17,967
Public Safety	2,144
Highways	49,765
Parks & Recreation	3,877
Cemetery	<u>2,867</u>
Total	<u><u>76,620</u></u>



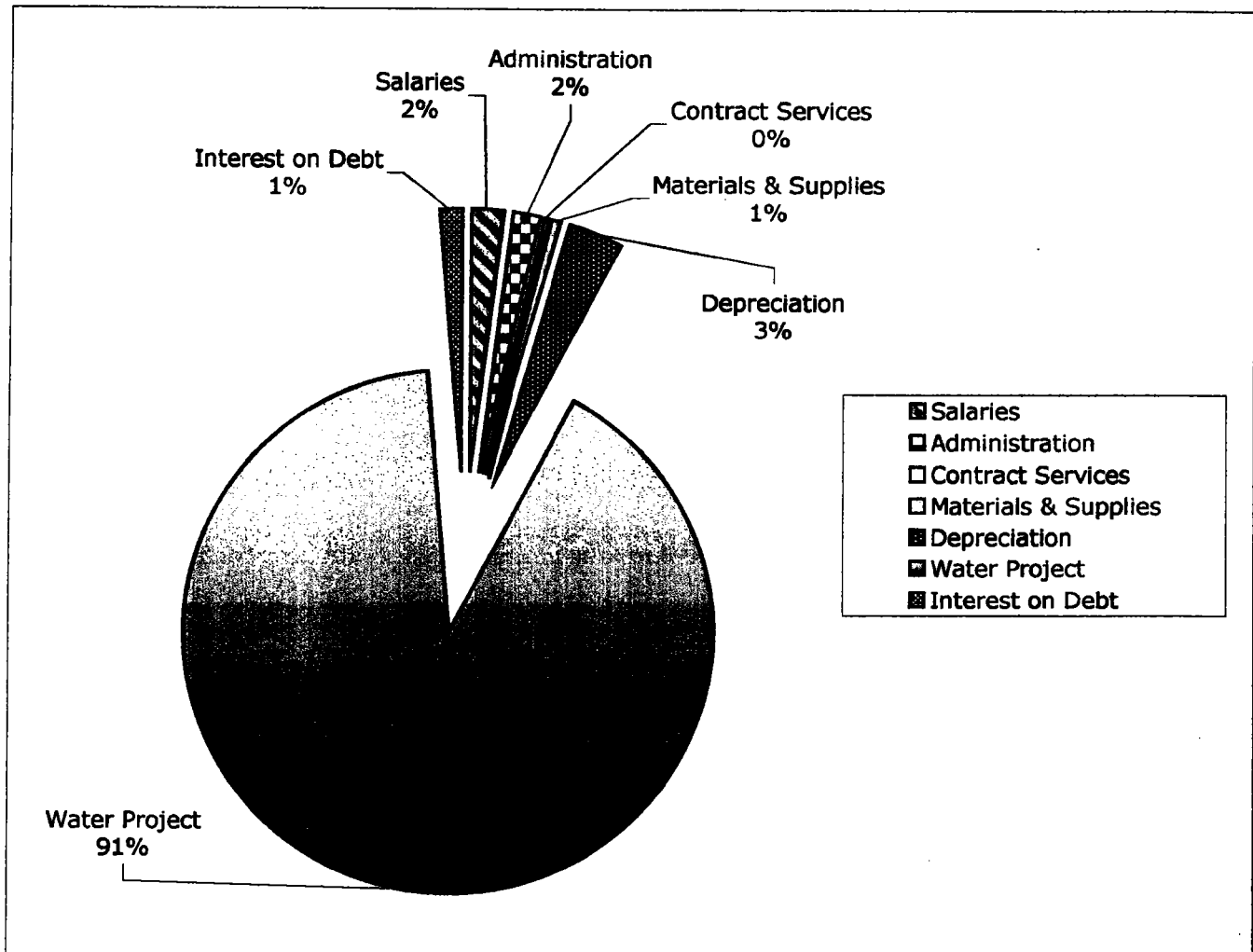
**Torrey Town
Proprietary Fund Revenues
For The Fiscal Year Ended June 30, 2005**

Water Sales	80,538
Connection Fees	3,500
Other Revenue	6,107
Interest	14,604
Capital Grant	<u>810,000</u>
Total	<u><u>914,749</u></u>



**Torrey Town
Proprietary Fund Expenditures
For The Fiscal Year Ended June 30, 2005**

Salaries	16,320
Administration	15,184
Contract Services	2,900
Materials & Supplies	6,885
Depreciation	29,130
Water Project	820,154
Interest on Debt	<u>13,070</u>
Total	<u>903,643</u>



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is used to assist in formatting, for easier reading)

BASIC FINANCIAL STATEMENTS

**TORREY TOWN
STATEMENT OF NET ASSETS**

June 30, 2005

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	29,794	296,099	325,893
Accounts Receivable (Net)	-	13,057	13,057
Total Current Assets	29,794	309,156	338,950
Noncurrent Assets:			
Restricted Cash and Cash Equivalents	-	400,967	400,967
Capital Assets (Net of Accumulated Depreciation):			
Land	31,000	-	31,000
Buildings and Improvements	18,600	-	18,600
Water System	-	676,317	676,317
Equipment	15,660	39,650	55,310
Construction In Progress	-	820,154	820,154
Infrastructure	180,000	-	180,000
Total Noncurrent Assets	245,260	1,937,088	2,182,348
TOTAL ASSETS	275,054	2,246,244	2,521,298
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	69,418	69,418
Bond Interest Payable	-	5,000	5,000
Retention Payable	-	33,908	33,908
Revenue Bonds Payable - Due Within One Year	-	28,000	28,000
Total Current Liabilities	-	136,326	136,326
Noncurrent Liabilities:			
Revenue Bonds Payable - More Than One Year	-	439,000	439,000
Total Noncurrent Liabilities	-	439,000	439,000
TOTAL LIABILITIES	-	575,326	575,326
NET ASSETS			
Investment in Capital Assets, Net of Debt	245,260	960,795	1,206,055
Restricted For:			
Bond Retirement	-	29,000	29,000
Water System Improvements	-	371,967	371,967
Class C Road	1,930	-	1,930
Perpetual Care	13,328	-	13,328
Unrestricted	14,536	309,156	323,692
TOTAL NET ASSETS	275,054	1,670,918	1,945,972
TOTAL LIABILITIES NET ASSETS	275,054	2,246,244	2,521,298

The notes to the financial statements are an integral part of this statement.

**TORREY TOWN
STATEMENT OF ACTIVITIES**

For The Fiscal Year Ended June 30, 2005

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants/ Capital Grants/ Contributions		Governmental Activities	Business-Type Activities	Total
			Contributions	Contributions			
Governmental Activities:							
General Government	17,967	1,356	700	-	(15,911)	-	(15,911)
Public Safety	2,144	-	543	-	(1,601)	-	(1,601)
Highways and Public Improvements	49,765	-	15,154	-	(34,611)	-	(34,611)
Cemetery	2,867	2,790	-	-	(77)	-	(77)
Park and Recreation	3,877	-	-	-	(3,877)	-	(3,877)
Interest on Long-Term Debt	-	-	-	-	-	(13,070)	(13,070)
Total Governmental Activities	76,620	4,146	16,397	-	(56,077)	(13,070)	(69,147)
Business-Type Activities:							
Utility Systems	70,419	90,145	-	810,000	-	829,726	829,726
Total Primary Government	147,039	94,291	16,397	810,000	(56,077)	816,656	760,579
General Revenues:							
Property Taxes					2,665	-	2,665
Fee-In-Lieu of Property Taxes					435	-	435
Sales Taxes					23,991	-	23,991
Unrestricted Investment Earnings					1,031	14,604	15,635
Total General Revenues and Transfers					28,122	14,604	42,726
Change in Net Assets					(27,955)	831,260	803,305
Net Assets - Beginning					303,009	839,658	1,142,667
Net Assets - Ending					275,054	1,670,918	1,945,972

**TORREY TOWN
BALANCE SHEET
GOVERNMENTAL FUNDS**

For The Fiscal Year Ended June 30, 2005

	General Fund	Non-Major Perpetual Care Permanent Fund	Total
ASSETS			
Cash and Cash Equivalents	<u>16,466</u>	<u>13,328</u>	<u>29,794</u>
TOTAL ASSETS	<u><u>16,466</u></u>	<u><u>13,328</u></u>	<u><u>29,794</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Reserved For:			
Class C Road	1,930	-	1,930
Perpetual Care	-	13,328	13,328
Unreserved, Reported In:			
General Fund	<u>14,536</u>	<u>-</u>	<u>14,536</u>
Total Fund Balance	<u><u>16,466</u></u>	<u><u>13,328</u></u>	<u><u>29,794</u></u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>16,466</u></u>	<u><u>13,328</u></u>	<u><u>29,794</u></u>

The notes to the financial statements are an integral part of this statement.

TORREY TOWN
BALANCE SHEET RECONCILIATION TO STATEMENT OF NET ASSETS

June 30, 2005

Total Fund Balances - Governmental Fund Types	29,794
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Amounts reported for governmental activities in the statement of net assets
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds:

Land	31,000	
Buildings	18,600	
Equipment	15,660	
Infrastructure	<u>180,000</u>	

Total		<u>245,260</u>
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Net Assets of Government Activities	<u><u>275,054</u></u>
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TORREY TOWN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For The Fiscal Year Ended June 30, 2005

	General Fund	Non-Major Perpetual Care Permanent Fund	Total
Revenues:			
Taxes	27,091	-	27,091
Licenses and Permits	325	-	325
Intergovernmental Revenue	16,397	-	16,397
Charges for Services	3,221	-	3,221
Perpetual Care	-	709	709
Interest	922	-	922
Total Revenues	<u>47,956</u>	<u>709</u>	<u>48,665</u>
Expenditures:			
Current:			
General Government	16,767	-	16,767
Public Safety	1,964	-	1,964
Highways and Public Improvements	34,765	-	34,765
Parks and Recreation	4,684	-	4,684
Total Expenditures	<u>58,180</u>	<u>-</u>	<u>58,180</u>
Net Change In Fund Balance	(10,224)	709	(9,515)
Fund Balance - Beginning	<u>26,690</u>	<u>12,619</u>	<u>39,309</u>
Fund Balance - Ending	<u><u>16,466</u></u>	<u><u>13,328</u></u>	<u><u>29,794</u></u>

The notes to the financial statements are an integral part of this statement.

TORREY TOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For The Fiscal Year Ended June 30, 2005

Amounts reported for governmental activities in the statement of activities
are different because:

Net Changes in Fund Balances - Total Governmental Funds	(9,515)
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Governmental funds report capital outlays as expenditures. However, in
the statement of activities the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense. This is the
amount by which capital outlays exceeded depreciation in the current
period:

Depreciation Expense	<u>(18,440)</u>
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Changes In Net Assets of Governmental Activities	<u><u>(27,955)</u></u>
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**TORREY TOWN
STATEMENT OF NET ASSETS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity Enterprise Fund
	<u>Water Fund</u>
ASSETS:	
Current Assets:	
Cash and Cash Equivalents	296,099
Accounts Receivable	<u>13,057</u>
Total Current Assets	<u>309,156</u>
Noncurrent Assets:	
Investments - Restricted:	
Bond Reserve	29,000
Construction Reserve	371,967
Capital Assets: (Net of Accumulated Depreciation)	
Improvements Other Than Buildings	676,317
Equipment	39,650
Construction in Progress	<u>820,154</u>
Total Noncurrent Assets	<u>1,937,088</u>
TOTAL ASSETS	<u><u>2,246,244</u></u>
LIABILITIES:	
Current Liabilities:	
Accounts Payable	69,418
Retention Payable	33,908
Bond Interest Payable	5,000
Bonds Payable - Current Portion	<u>28,000</u>
Total Current Liabilities	<u>136,326</u>
Noncurrent Liabilities:	
Bonds Payable - Long-Term Portion	<u>439,000</u>
TOTAL LIABILITIES	<u>575,326</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	960,795
Restricted for:	
Bond Reserve	29,000
Construction	371,967
Unrestricted	<u>309,156</u>
TOTAL NET ASSETS	<u>1,670,918</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>2,246,244</u></u>

The notes to the financial statements are an integral part of this statement.

TORREY TOWN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND

June 30, 2005

	Business-Type Activity <u>Enterprise Fund</u>
	<u>Water Fund</u>
Operating Revenues:	
Charges for Sales and Services:	
Water Fees	80,538
Connection Fees	3,500
Other Revenue	<u>6,107</u>
Total Operating Revenues	<u>90,145</u>
Operating Expenses:	
Salaries	16,320
Administration	15,184
Contract Services	2,900
Materials and Supplies	6,885
Depreciation	<u>29,130</u>
Total Operating Expenses	<u>70,419</u>
Operating Income	<u>19,726</u>
Nonoperating Revenues (Expenses):	
Investment Earnings	14,604
Capital Grant	810,000
Interest Expense	<u>(13,070)</u>
Total Nonoperating Revenues (Expenses)	<u>811,534</u>
Change in Net Assets	831,260
Total Net Assets - Beginning	<u>839,658</u>
Total Net Assets - Ending	<u><u>1,670,918</u></u>

The notes to the financial statements are an integral part of this statement.

**TORREY TOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUND**

June 30, 2005

	Business-Type Activity Enterprise Fund
	<u>Water Fund</u>
Cash Flows From Operating Activities:	
Receipts From Customers	89,394
Payments to Suppliers	(24,969)
Payments to Employees	<u>(16,320)</u>
Net Cash Provided by Operating Activities	<u>48,105</u>
Cash Flows From Capital and Related Financing Activities:	
Principal Paid on Capital Debt	(18,000)
Interest Paid on Capital Debt	(10,750)
Revenue Bond Receipts	270,000
Capital Grant	810,000
Construction In Progress	<u>(716,828)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>334,422</u>
Cash Flows from Investing Activities:	
Interest Received	<u>14,604</u>
Net Cash Provided (Used) by Investing Activities	<u>14,604</u>
Net Increase (Decrease) in Cash and Cash Equivalents	397,131
Cash and Cash Equivalents - Beginning	<u>299,935</u>
Cash and Cash Equivalents - Ending	<u><u>697,066</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities:	
Operating Income	<u>19,726</u>
Adjustments to Reconcile Operating Income to Net Cash Provided	
Provided (Used) By Operating Activities:	
Depreciation	29,130
(Increase) Decrease in Accounts Receivable	<u>(751)</u>
Total Adjustments	<u>28,379</u>
Net Cash Provided (Used) by Operating Activities	<u><u>48,105</u></u>

The notes to the financial statements are an integral part of this statement.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Torrey Town conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies:

The accompanying basic financial statements present the financial position of various fund types and the results of operations of the various fund types. The basic financial statements are presented for the year ended June 30, 2005.

The following is a summary of the more significant policies:

A. Reporting Entity

Torrey Town is a municipal corporation in Wayne County, Utah. It is governed by an elected mayor and four member council. As required by generally accepted accounting principles, these financial statements are of the primary government, Torrey Town, the reporting entity. The Town has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., statement of net assets and statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Torrey Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The government also reports the following non-major governmental fund:

The Perpetual Care Permanent Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the cemetery.

The Government reports the following Proprietary Funds:

The Water Fund accounts for the activities of the Town's culinary water operation. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund are charges to customers for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments:

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to invest in obligations of the U. S. Treasury, commercial paper, corporate bonds, repurchase agreements and the State Treasurer's Investment Pool.

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Capital Assets:

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

**TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

Water System	50 Years
Vehicles	5 Years
Equipment	10 Years

Long-Term Obligations:

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.

In the fund financial statement, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, if any, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity:

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balance represent tentative management plans that are subject to change.

E. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Budgets and Budgetary Accounting:

The governing body of the entity shall establish the time and place of the public hearing to consider the adoption of the budget and shall publish notice of the hearing at least seven days prior to the hearing (no time period given for towns) in at least one issue of the newspaper of general circulation published within the County in which the entity is located. If no such newspaper is published, the required notice may be posted in three public places within the entity's jurisdiction.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tentative budget must be made available to the public for inspection for a number of days, as provided by law, prior to the budget hearing.

1. On or before the first regularly scheduled meeting of the Town Council in the month of May, the mayor prepares a tentative budget for the next budget year.
2. After a public notice has been published, a public hearing is then held on the adoption of the budget.
3. After the public hearing, the Town Council makes final adjustments to the tentative budget.
4. On or before June 22, the Town Council adopts the budget by resolution or ordinance and sets the tax rate for taxes.
5. The budget officer may transfer unexpended budgeted amounts within departments.
6. The Town Council may transfer unexpended budgeted amounts from one department in a fund to another department in the same fund by resolution.
7. The total budget appropriation of any governmental fund may be increased only after a public hearing has been held and followed by resolution of the Town Council.
8. Proprietary Fund budgets may be increased without a public hearing by resolution of the Town Council.
9. Budgets for the General fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).

The appropriated budget is prepared by fund, function and department. The government's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level.

The Fiscal Procedures Act for Utah Towns require local municipalities to restrict expenditures to authorized departmental budgets. The combined statement of revenues, expenditures and changes in fund balance - budget and actual identifies the departments and funds which have overexpended budgeted amounts if any and, therefore, do not comply with appropriate fiscal procedures.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Tax Calendar

January 1	Lien Date - All property appraised based upon situs and status as of this date (real and personal).
March 1	Calendar year taxing entities must inform the County of the date, time and place of the budget hearing for the next fiscal year for inclusion with tax notice.
June 22	All taxing entities to adopt tentative budgets and proposed tax rates and report them to the county auditor.
July 22	County auditor to prepare and mail Notice of Valuation and Tax Changes to all real property owners, including centrally assessed property owners or in the event that Notices of Valuation and Tax Changes are not required, the county auditor is to compute taxes and the county treasurer is to mail tax notices.
September 1	State Tax Commission approves tax rates.
November 1	County auditor is to deliver the equalized assessment roll to the county treasurer with affidavit.
November 1	County auditor to charge the county treasurer to account for all taxes levied.
November 1	County treasurer to mail tax notices. Tax notices for calendar year entities include notice of budget hearings.
November 30	Taxes on real property become delinquent.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Town maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and Cash Equivalents".

Deposits:

At year-end, the carrying amount and bank balance of the Town's deposits was \$118,158 and \$118,358 respectively. Of the bank balance, \$100,000.00 was covered by federal depository insurance. Utah State statutes do not require deposits to be collateralized, however, financial institutions must be approved by the State Money Management Council.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

Statutes authorize the Town to invest in obligations of the U. S. Treasury, agencies, and instrumentalities, commercial paper rated A-1 by Standards & Poor's Corporation or P-1 by Moody's Commercial Paper Record, bankers' acceptances, repurchase agreements, and the state treasurer's investment pool. The Town is also authorized to enter into reverse repurchase agreements.

The Town's investments are categorized below to give an indication of the risk assumed by the Town at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the Town in the Town's name, and includes deposits collateralized by securities held by the Town in the Town's name. Category 2 includes uninsured and unregistered investments for which the investments are held by a broker or dealer in the Town's name, and includes deposits collateralized by securities held by the pledging institution in the Town's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer but not in the Town's name, and includes deposits not insured or collateralized.

Investments at June 30, 2005, consisted of the following:

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value/ Carrying Amount</u>
Investments	<u>-</u>	<u>-</u>	<u>-</u>	-
Other Items:				
State Treasurer's Investment Pool				236,736
State Treasurer's Escrow Accounts				<u>371,967</u>
Total Investments				<u>608,703</u>

The Utah Public Treasurer's Investment Fund is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds.

Cash is reflected in the financial statements as follows:

Governmental Activities	29,794
Business-Type Activities	<u>697,066</u>
Total	<u>726,860</u>

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 3 - BOND RESERVES

Torrey Town's Revenue Bond requires a reserve account in the amount of \$29,000.00 to be made in 72 monthly payments of \$403.00. The balance in the bond reserve account at June 30, 2005, is \$29,000.00.

NOTE 4 - UTILITIES ACCOUNTS RECEIVABLE

Utility accounts receivable represents amounts owed by water customers at June 30, 2005. The balance at year end was \$13,057.

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the fiscal year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	<u>31,000</u>	<u>-</u>	<u>-</u>	<u>31,000</u>
 Total Capital Assets Not Being Depreciated	<u>31,000</u>	<u>-</u>	<u>-</u>	<u>31,000</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	65,200	-	-	65,200
Machinery and Equipment	24,600	-	-	24,600
Infrastructure	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>300,000</u>
 Total Capital Assets Being Depreciated	<u>389,800</u>	<u>-</u>	<u>-</u>	<u>389,800</u>
Less Accumulated Depreciation For:				
Buildings and Improvements	(44,720)	(1,880)	-	(46,600)
Machinery and Equipment	(7,380)	(1,560)	-	(8,940)
Infrastructure	<u>(105,000)</u>	<u>(15,000)</u>	<u>-</u>	<u>(120,000)</u>
 Total Accumulated Depreciation	<u>(157,100)</u>	<u>(18,440)</u>	<u>-</u>	<u>(175,540)</u>
 Total Capital Assets Being Depreciated (Net)	<u>232,700</u>	<u>(18,440)</u>	<u>-</u>	<u>214,260</u>
 Governmental Activities Capital Assets, Net	<u>263,700</u>	<u>(18,440)</u>	<u>-</u>	<u>245,260</u>

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 5 - CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business Type Activities:				
Capital Assets Not Being Depreciated:				
Construction In Progress	-	820,154	-	820,154
Capital Assets Being Depreciated:				
Improvements Other Than Buildings	1,059,012	-	-	1,059,012
Machinery and Equipment	63,500	-	-	63,500
Total Capital Assets Being Depreciated	1,122,512	-	-	1,122,512
Less Accumulated Depreciation For:				
Improvements Other Than Buildings	(361,515)	(21,180)	-	(382,695)
Equipment	(15,900)	(7,950)	-	(23,850)
Total Accumulated Depreciation	(377,415)	(29,130)	-	(406,545)
Total Capital Assets Being Depreciated (Net)	745,097	(29,130)	-	715,967
Business Type Activities Capital Assets, Net	745,097	791,024	-	1,536,121
Total Capital Assets	1,008,797	772,584	-	1,781,381

Depreciation expense was charged to functions of the Primary Government as follows:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
General Government	1,200	-	1,200
Public Safety	180	-	180
Public Health	-	29,130	29,130
Highways and Public Improvements	15,000	-	15,000
Parks and Recreation	2,060	-	2,060
Total Depreciation Expense	18,440	29,130	47,570

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT

1995 Water Revenue Bond:

On May 5, 1995, the Board of Water Resources authorized a loan of \$310,000 to Torrey Town for the construction of drinking water system improvement. The loan from the board is secured by a non-voted revenue bond issued by the Town. The Town will repay the principal amount in 18 annual payments, with interest payable on the unpaid principal balance at the annual rate of 5%.

The following is an amortization schedule of the \$310,000 Revenue Bond for 14 years at 5% interest. Payments are due March 1 of each year. Interest may vary due to early or late payments:

<u>Date</u>	<u>Total Bond Payment</u>	<u>Interest Payment</u>	<u>Principal Payment</u>	<u>Principal Balance</u>
Balance June 30, 2005				197,000
March 2006	27,837	9,837	18,000	179,000
March 2007	27,938	8,938	19,000	160,000
March 2008	27,988	7,988	20,000	140,000
March 2009	27,987	6,987	21,000	119,000
March 2010	27,938	5,938	22,000	97,000
March 2011	27,837	4,837	23,000	74,000
March 2012	28,688	3,688	25,000	49,000
March 2013	26,437	2,437	24,000	25,000
March 2014	26,238	1,238	25,000	-
Total	<u>248,888</u>	<u>51,888</u>	<u>197,000</u>	

Parity Water Revenue Bond, Series 2004:

During 2004 the Town authorized the issuance of \$270,000 Parity Water Revenue Bonds, Series 2004, for the purpose of providing funds to finance all or part of the cost of constructing culinary water system improvements which included spring development, replacement of water lines, installation of fire hydrants and installation of associated valves and appurtenances.

The bond requires yearly payments including interest payments at 2.5% beginning April 1, 2006.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 6 - LONG-TERM DEBT (CONTINUED)

The following is a schedule of debt service payments to maturity:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	10,000	6,750	16,750
2006-2007	11,000	6,500	17,500
2007-2008	11,000	6,225	17,225
2008-2009	11,000	5,950	16,950
2009-2010	12,000	5,675	17,675
2011-2015	63,000	23,800	86,800
2016-2020	71,000	15,500	86,500
2021-2025	<u>81,000</u>	<u>6,200</u>	<u>87,200</u>
Total	<u>270,000</u>	<u>76,600</u>	<u>346,600</u>

The following is a schedule of debt service payments to maturity for total Long-Term Debt:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005-2006	28,000	16,587	44,587
2006-2007	30,000	15,438	45,438
2007-2008	31,000	14,213	45,213
2008-2009	32,000	12,937	44,937
2009-2010	34,000	11,613	45,613
2011-2015	160,000	36,000	196,000
2016-2020	71,000	15,500	86,500
2021-2025	<u>81,000</u>	<u>6,200</u>	<u>87,200</u>
Total	<u>467,000</u>	<u>128,488</u>	<u>595,488</u>

The following is a schedule of changes in Long-Term Debt:

	<u>Balance June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Principal June 30, 2005</u>
1995 Water Revenue Bond	215,000	-	18,000	197,000
2004 Water Revenue Bond	<u>-</u>	<u>270,000</u>	<u>-</u>	<u>270,000</u>
Total	<u>215,000</u>	<u>270,000</u>	<u>18,000</u>	<u>467,000</u>

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 7 - CLASS "C" ROAD RESERVED FUND BALANCE

The following is a schedule of changes in Class "C" Road reserved fund balance:

Balance - Beginning of Year	<u>7,300</u>
Receipts:	
State Allotments	15,154
Transfer from Water Fund	<u>763</u>
Total Receipts	<u>15,917</u>
Disbursements:	
Maintenance and Construction	<u>(21,287)</u>
Balance - End of year	<u><u>1,930</u></u>

NOTE 8 - UTAH STATE RETIREMENT PLANS

Torrey Town does not participate in the Utah State Retirement Plan or any other retirement plan.

NOTE 9 - RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The town participates in the Utah Local Governments Trust. The insurance coverage's are written on a group purchase arrangement. All of the insurance coverage is brokered and written through various insurance companies. Utah Local Government Trust acts as the broker.

Liability:

The Town is insured for \$1,000,000 combined single limit with a \$500 deductible per occurrence for Comprehensive General Liability. Bodily injury, personal injury, property damage, public officials errors and omissions coverage \$1,000,000 aggregate each policy period with a \$500 deductible each accident.

Automobile Liability:

The Town is insured for automobile bodily injury for \$1,000,000 combined single limit per accident with a \$500 deductible each accident. Property damage \$1,000,000 aggregate each policy period. The coverage also covers uninsured motorist \$50,000 each accident and \$50,000 each policy period.

TORREY TOWN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2005

NOTE 9 - RISK MANAGEMENT (CONTINUED)

Property:

All of the property coverage is brokered and written through United States Fidelity and Guaranty Insurance Company. Buildings and equipment are covered based on replacement costs subject to a \$1,000 deductible.

Workers Compensation:

This coverage is provided through the Workers Compensation Fund of Utah.

The Town has not experienced any significant reduction in insurance coverage from the previous year nor has it paid any settlements in excess of insurance coverage in the past three fiscal years.

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is used to assist in formatting, for easier reading)

**REQUIRED SUPPLEMENTARY
INFORMATION
"UNAUDITED"**

**TORREY TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> (Budgetary Basis) (See Note A)	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2004	<u>26,690</u>	<u>26,690</u>	<u>26,690</u>	<u>-</u>
Resources (Inflows):				
Taxes:				
General Property Taxes	3,100	3,100	3,100	-
General Sales and Use Taxes	<u>22,000</u>	<u>22,000</u>	<u>23,991</u>	<u>1,991</u>
Total Taxes	<u>25,100</u>	<u>25,100</u>	<u>27,091</u>	<u>1,991</u>
Licenses and Permits	<u>325</u>	<u>325</u>	<u>325</u>	<u>-</u>
Intergovernmental Revenue:				
Class C Road	15,500	15,500	15,154	(346)
State Liquor Allotment	500	500	543	43
Contributions from County	<u>700</u>	<u>700</u>	<u>700</u>	<u>-</u>
Total Intergovernmental Revenue	<u>16,700</u>	<u>16,700</u>	<u>16,397</u>	<u>(303)</u>
Charges for Services:				
Cemetery	1,000	1,000	2,190	1,190
Other	<u>1,006</u>	<u>1,006</u>	<u>1,031</u>	<u>25</u>
Total Charges for Services	<u>2,006</u>	<u>2,006</u>	<u>3,221</u>	<u>1,215</u>
Other Revenue:				
Interest	140	140	922	782
Transfer from Water Fund	6,514	6,514	-	(6,514)
Use of Fund Balance	<u>16,015</u>	<u>16,015</u>	<u>-</u>	<u>(16,015)</u>
Total Miscellaneous Revenue	<u>22,669</u>	<u>22,669</u>	<u>922</u>	<u>(21,747)</u>
Amounts Available for Appropriation	<u>93,490</u>	<u>93,490</u>	<u>74,646</u>	<u>(18,844)</u>

**TORREY TOWN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND**

For The Fiscal Year Ended June 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>(Budgetary Basis)</u> <u>(See Note A)</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Charges to Appropriations (Outflows):				
General Government:				
Salaries	14,400	14,400	14,400	0
Administration	2,400	2,400	2,367	33
Total General Government	16,800	16,800	16,767	33
Public Safety:				
Fire Department	2,000	2,000	1,964	36
Highway and Public Improvements:				
Construction	10,000	10,000	-	10,000
Repairs and Maintenance	21,500	21,500	28,460	(6,960)
Utilities	7,000	7,000	6,305	695
Total Highways and Public Improvements	38,500	38,500	34,765	3,735
Culture and Recreation:				
Cemetery	5,500	5,500	2,207	3,293
Parks	4,000	4,000	2,477	1,523
Total Culture and Recreation	9,500	9,500	4,684	4,816
Total Charges to Appropriations	66,800	66,800	58,180	8,620
Budgetary Fund Balance - June 30, 2005	26,690	26,690	16,466	(10,224)

**TORREY TOWN
NOTE A
BUDGETARY COMPARISON SCHEDULE
BUDGET-TO-GAAP RECONCILIATION**

For The Fiscal Year Ended June 30, 2005

	<u>General Fund</u>
Sources/Inflows and Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedules.	74,646
Differences - Budget to GAAP:	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	<u>(26,690)</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds.	<u><u>47,956</u></u>
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedules.	58,180
Differences - Budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u><u>58,180</u></u>

COMPLIANCE SECTION

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Town Council
Torrey Town
Torrey, Utah 84775

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Torrey Town as and for the year ended June 30, 2005, which collectively comprise Torrey Town's basic financial statements and have issued our report thereon dated July 27, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

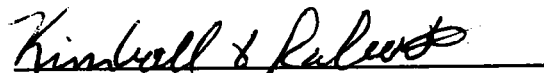
In planning and performing our audit, we considered Torrey Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Torrey Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Honorable Mayor and Town Council
Torrey Town
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This report is intended solely for the information and use of the audit committee, management, and the Town Board and is not intended to be and should not be used by anyone other than these specified parties.


KIMBALL & ROBERTS, P. C.
Certified Public Accountants

July 27, 2005
Richfield, Utah

Kimball & Roberts

Certified Public Accountants

A Professional Corporation

Box 663

Richfield, Utah 84701

Phone 896-6488

AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council
Torrey Town
Torrey, Utah 84775

We have audited the financial statements of Torrey Town, for the year ended June 30, 2005, and have issued our report thereon dated July 27, 2005. As part of our audit, we have audited Torrey Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the fiscal year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

Class "C" Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Property Tax
Other Compliance Requirements

The management of Torrey Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

Honorable Mayor and Town Council
Torrey Town
Page -2-

In our opinion, Torrey Town, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major State assistance programs for the fiscal year ended June 30, 2005.



KIMBALL & ROBERTS, P. C.
Certified Public Accountants

July 27, 2005
Richfield, Utah